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1. French to ask US-UK consultation on Indochina --According to US Ambassador Bruce in Paris, a high official of the French Foreign Office has informally advised the US Minister in charge of MDAP affairs that France intends to approach the US and the UK regarding a tripartite consultation on the entire situation in Indochina. Bruce adds that the French believe: (a) the USSR would not have recognized Ho Chi Minh (Moscow-trained opponent to the French-supported Bao Dai Government in Indochina) unless it had intended to do what it could to support him, probably through a considerable increase in military assistance via the Chinese Communists; (b) in this event the French would find it very difficult "to continue to hold the fort in Indochina alone"; and (c) the time has come to consider the Indochinese situation in its relation to the entire Asiatic and world situation in the struggle against Soviet Communism. The French official pointed out that the Government was not thinking in terms of some limited military aid under the MDAP but wished to discuss the larger political, economic, and military aspects of the problem. The Ambassador comments that there is no sign of a change in French policy since Soviet recognition of Ho, but that the French margin in Indochina is not great, and an all-out attack by Chinese Communists or major assistance to Ho could render the French position in Indochina untenable.

(CIA Comment: CIA believes the French will press for speedy US and UK aid to bolster their own and Bao Dai's position in Indochina. CIA further believes that if the military situation in Indochina worsens considerably in the next six months, the French Government would be compelled to consider reversing its policies in Indochina, including the possibility of withdrawing its military forces.)

State Dept. review completed

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2. Effects of possible Yugoslav recognition of Ho Chi Minh--
The Department of State has instructed US Ambassador Allen in Belgrade to inform the Yugoslav Government that the US is seriously concerned over the possibility that Yugoslavia may recognize the Communist-led Ho Chi Minh regime in Indochina. The Department points out that such Yugoslav action would: (a) strengthen the very forces against which Yugoslavia is fighting for its independence; (b) raise insurmountable difficulties in the US for providing further support for Yugoslav independence; and (c) lead to an increase in French demands on the US for assistance in supporting the Bao Dai Government in Indochina. The Department comments that the limited resources of the US cannot be dissipated in any such fashion.

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EUROPE

3. YUGOSLAVIA: Increased aid from West requested--
Yugoslav Foreign Minister Kardelj has presented an urgent oral request through US Ambassador Allen in Belgrade for increased US economic assistance. In support of his request, Kardelj pointed out that Yugoslav economic conditions are becoming increasingly difficult and that the USSR would consequently redouble its efforts to unseat Tito in 1950. The Foreign Minister added that if Yugoslavia had to balance 1950 exports against import needs, the Yugoslav standard of living would be depressed and the resulting internal difficulties would provide much ammunition for hostile Cominform propaganda. Allen comments that in view of both political and economic considerations, it would be highly important to ease the present Yugoslav foreign trade difficulties.

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(CIA Comment: CIA believes that Yugoslavia's present economic situation, including present and contemplated Western aid, does not justify the alarm expressed by the Yugoslav Foreign Minister.)

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